



Electricity (Amendment) Bill 2020

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Why in News

Recently, the Central government has introduced the **Electricity (Amendment) Bill 2020** to amend various provisions in the Electricity Act 2003.

Key Points

- **Rationale Behind Amendment:**
 - To **address critical issues weakening the commercial and investment activities in the electricity** sector.
 - The current challenges plaguing the Indian power sector is derived from negligence in addressing the structural issues.
 - These include operational and financial inefficiencies of power generation, transmission and distribution utilities, access and quality of power supply, political interference, lack of private investments, inadequate public infrastructure and lack of consumer participation.
 - **Bringing transparency and accountability** to protect the interest of consumers and ensuring healthy growth of the power sector.
- **Key Objectives:**
 - Ensure consumer centricity,
 - Promote Ease of Doing Business,
 - Enhance sustainability of the power sector,
 - Promote green power,
- **Key Amendments:**

- **National Selection Committee:** Instead of the separate Selection Committee (for appointment of Chairperson and members of State Electricity Regulatory Commissions-SERCs), there is a proposal to set up a National Selection Committee.
 - However, the Central Government is also considering to continue with the existing separate Selection Committees for each state – but make them Standing Selection Committees so that there is no need for constituting them afresh every time a vacancy occurs.
 - The only difference is that it will now be proposed to be presided by the Chief Justice of the High Court of the state.
- **Introduction of Direct Benefit Transfer:** Direct Benefit Transfer will be beneficial for both the State Governments and as well as Distribution Companies.
 - It will be beneficial for the State Government because it will ensure that the subsidy reaches the people who are actually entitled and the State Government gets clear accounts of the amount given as subsidy.
 - It will benefit the distribution company by making sure that the subsidies due are received as per the number of beneficiaries.
- **National Renewable Energy Policy:** India is a signatory to the Paris Climate Agreement. It is therefore proposed to have a separate policy for the development and promotion of generation of electricity from renewable sources of energy.

The policy prescribes a minimum percentage of purchase of electricity from renewable sources of production. It seeks to give special attention to hydro power.
- **Sustainability:**
 - **Cost Reflective Tariff:** There had been the issue of lazy attempts from the commissions in adopting the tariffs determined, causing issues of cost escalation.

To address this problem, the Amendment has prescribed a period of 60 days to adopt the determined tariffs. Failing such a timeline of 60 days, the tariff would be deemed to be accepted.
 - **Payment Security:** It is proposed to empower Load Dispatch Centres to oversee the establishment of adequate payment security mechanisms before dispatch of electricity, as per contracts.

Late payment of dues of generating and transmission companies have reached unsustainable levels. This impairs the finances of the Gencos and Transcos and also increases the Non Performing Assets of the Banks.

- **Ease of Doing Business:**
 - **Establishment of Electricity Contract Enforcement Authority (ECEA):** It is an Authority headed by a retired Judge of the High Court with powers to execute their orders as decree of a civil court.
 - The Authority will enforce performance of contracts related to purchase or sale or transmission of power between a generating company, distribution licensee or transmission licensee.
 - Central Electricity Regulatory Commission (CERC) and State Electricity Regulatory Commissions (SERCs) do not have powers to execute their orders as decree of a civil court.
 - **Cross Subsidy:** The Bill provides for the SERCs to reduce cross subsidies as per the provisions of the Tariff Policy.
- **Miscellaneous:**
 - **Strengthening of the Appellate Tribunal (APTEL):** It is proposed to increase the strength of APTEL to at least seven to facilitate quick disposal of cases.
 - To be able to effectively enforce its orders, it is also proposed to give it the powers of the High Court under the provisions of the Contempt of Courts Act.
 - **Penalties:** In order to ensure compliance of the provisions of the Electricity Act and orders of the Commission, section 142 and section 146 of the Electricity Act are proposed to be amended to provide for higher penalties.
 - **Cross Border Trade in Electricity:** Provisions have been added to facilitate and develop trade in electricity with other countries.
 - **Distribution sub-licensees:** To improve quality of supply, an option is proposed to be provided to Discoms to authorise another person as a sub-license to supply electricity in any particular part of its area, with the permission of the State Electricity Regulatory Commission.
- **Issues involved:**
 - Cost reflective tariff has been a concern for states like Telangana which provide free electricity to the farming sector.
 - Formation of ECEA has also been criticized as a move towards centralization of power.
 - Recognition of franchisees and sub- licensees might open the sector to private players.

Way Forward

The Bill provides the Central government more power to determine tariff and regulations in the power sector. Since electricity is a Concurrent subject, States must not be deprived of their powers, through this Amendment.

Source: PIB